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SUBJECT: RUSSIA SEEKS IMPROVED TIES WITH GULF STATES

REF: A. ABU DHABI 1517  
[1](#)B. RIYADAH 1691

Classified By: Ambassador William J. Burns for reasons 1.4(b/d).

[1](#)1. (C) Summary: Russia continues to court the Persian Gulf States in its quest to expand economic ties with the region and improve political relations with the Muslim world. Saudi Crown Prince and Defense Minister Sultan bin Abd al-Aziz Al Saud's November 21-23 Moscow visit was the latest in a series of high-level contacts between GOR and Gulf officials that included discussions of general Middle East issues, trade, and possible Russian arms sales. While in Moscow, the Crown Prince also urged Arab diplomats to strike a "balance" in favor of stronger ties with Russia, reflecting the MFA's understanding that Saudi Arabia was most eager among Gulf states to diversify its foreign relations. Russia is looking to all Gulf states for investment and trade opportunities, but has a particular interest in the United Arab Emirates, which has become a mecca for Russian tourism and investment. GOR officials believe that improved ties with the Gulf help stop the flow of money to Islamic extremists in Russia and could shield the country from becoming a target of international terrorists. End summary.

MFA: Saudi Visit Not All About Arms Sales  
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[1](#)2. (C) MFA Counselor for the Persian Gulf States Rashid Ismailov told us that, during November 21-23 meetings with Putin, First Deputy Prime Minister Ivanov, and Foreign Minister Lavrov, Saudi Crown Prince and Defense Minister Sultan bin Abd al-Aziz discussed a range of issues, including the Middle East Peace Process (MEPP), the political situation in Lebanon, and the Iranian nuclear program. Sultan said Saudi Arabia hoped Russia would continue playing a positive role in resolving each issue but called particular attention to Saudi concern over the Iranian nuclear program. Sultan also discussed improving bilateral relations, especially economic ties. Ismailov said that media reports of the signing of an arms deal worth \$4 billion were inaccurate - arms sales were discussed but no contracts have been signed. Ismailov stressed that Sultan's visit was not a follow-up to the October visit to Riyadh of Russian Deputy Defense Minister Mikhail Dimitrov; Putin had invited Sultan to Moscow when the Russian President was in Saudi Arabia in February [1](#)2007.

Saudi Prince Calls for "Balance" in Arab Relations  
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[1](#)3. (C) Sultan frequently praised Russia for its positive role in international affairs during his public appearances in Moscow. Ismailov explained that these events were arranged by the MFA to provide enough pomp and ceremony for the second in line to the Saudi throne, who expected a state visit when the GOR had not planned for one. This included a ceremony at Moscow State University, where Sultan remarked favorably upon

the Russian role in the MEPP and was presented with an honorary Ph.D. Sultan also praised Russian relations with the Muslim world to an assembly of Arab diplomats, calling upon them to strike a "balance" in relations with the world's "major countries."

¶4. (C) Ismailov, who served much of his diplomatic career in the Gulf, understood that the Saudis looked to Russia as a means to "diversify" their political and economic ties. He thought Sultan's visit was similar to that of Saudi National Security Advisor Prince Bandar bin Sultan, who came to Moscow in July 2007 in an effort to broadly develop bilateral relations (ref B). Ismailov stressed that this does not imply that Russia and the U.S. are now in competition for Saudi "loyalty," as Russian political and trade ties with Saudi Arabia will continue to "pale" in comparison with those of the U.S. Ismailov saw the Saudis as "more willing" to reach out to Russia than other Gulf states that remained "cautious" about preserving their close ties to the U.S. He cited Kuwait in particular as a country that would continue to rely on the U.S.

#### Russia Wants More Trade With Gulf States

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¶5. (C) Ismailov explained that the GOR is interested in broadening currently limited economic ties with the Gulf. Expanded trade would include arms sales, which were under discussion but not finalized. Ismailov estimated Russian annual trade with the UAE at \$700 million and Saudi Arabia at \$200 million. Trade with other countries was significantly less and could turn on a single deal. For example, Russian trade with Kuwait typically hovered around \$3-5 million a year until Russia made a deal in 2005 to sell trucks that

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increased trade to \$25 million. The GOR hoped that improved political ties with the Gulf would increase the chances for landing such contracts. Ismailov said Russian Railways is currently competing for a contract to build 400 kilometers of track in Saudi Arabia and efforts are underway to open Russian banks in the Gulf and vice versa.

¶6. (C) Ismailov told us that the GOR has a particular interest in the UAE, which offers a lucrative market for Russian investment, is a tourist destination for many Russians, and currently has 10,000 Russian resident nationals who work in the country's tourism and business sectors. According to the MFA's Elbrus Kutrashev, who accompanied Putin on his brief trip to Abu Dhabi in September 2007 (ref A), GOR attention to the UAE appeared at times driven by the "high rollers" who vacation and invest there. Kutrashev said Putin's visit included the signing of a bilateral agreement on consular matters that would improve the GOR's ability to protect Russian citizens in the UAE. Both Kutrashev and Ismailov thought it a significant sign of improved relations that just before Putin arrived in Abu Dhabi, the cornerstone was laid in the UAE for the first Russian Orthodox Church in the Gulf.

#### Russia Seeks Improved Ties With Muslim World

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¶7. (C) Ismailov and Kutrashev told us that strengthening political relations with the Gulf was a component of the GOR priority to improve ties with the Muslim world, which has both foreign and domestic goals. Diplomatically, the GOR hoped to improve Russia's standing among the Muslim nations as a means to help shield it from extremists. In the case of the Gulf states, the GOR was successful in convincing the Saudis and Kuwaitis to stop funds going from Islamic charities to extremists in the Caucasus. Domestically, improved ties with the Muslim world would, it was hoped, appeal to Russia's Muslim population. Ismailov believed his fellow Russian Muslims were pleased to see their country become an observer in the Organization of Islamic Conferences

and improve ties with Muslim states throughout the world. Doing so could prevent Russia from becoming the target of international terrorists.

Comment

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18. (C) Analysts and Middle Eastern diplomats have consistently told us that Russian interest in the Middle East is divided geographically between the Levant and the Gulf. In the former, Russia wants the prestige that comes from having a "seat at the table" and playing a role in the MEPP (septel). Russia's greater interest, however, is in the economic potential awaiting it in the wealthy, energy rich Gulf. There, the GOR can use its political ties to expand opportunities for Russian business and investment, keeping the Russian economy growing and increasing international influence through economic means.  
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